

FISCAL NOTE

SB 256 - HB 556

April 1, 2003

SUMMARY OF BILL: Removes the current 668 bed limit on licensed private Intermediate Care Facilities for the Mentally Retarded (ICF/MR) and excludes from the Certificate of Need (CON) process community based ICF/MR facilities of four or fewer beds.

ESTIMATED FISCAL IMPACT:

**Increase State Expenditures - \$3,307,500/Recurring
\$11,500/One-Time**

Increase State Revenues - \$551,900

**Other Fiscal Impact - Increase Federal Expenditures -
\$5,939,500/Recurring
\$11,500/One-Time**

Other Fiscal Impact - With no bed limit and no CON requirement, the number of ICF/MR beds would grow substantially in future years with a resulting increase in TennCare reimbursement and Department of Health expenditures.

Assumes:

- A significant increase in the number of available private ICF/MR beds. Over 1,000 clients are currently waiting for MR services and many would choose an ICF/MR setting if available. New ICF/MR beds could come on line quickly because a CON would not be necessary for new construction. Estimate is based upon 60 new beds in the first year.
- The average operational cost of a private ICF/MR bed is \$412 per day according to the Comptroller of the Treasury. New facilities would cost significantly more because of the initial depreciation of new buildings. TennCare currently reimburses ICF/MR facilities at 100% of cost. The operational cost of 60 new beds would total \$9,022,800 based upon the current average cost.
- A need for 6 new employees and related expenditures in the Department of Health, Board for Licensing Health Care Facilities for inspection and licensure of new facilities in the first year. These positions are seventy-five percent Federal funding.

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- An increase in state revenues from the 6% bed tax and license fee revenue to the Department of Mental Health and Developmental Disabilities.
- Some marginal savings could be realized at the state developmental centers to the extent that clients could be moved from the centers to community ICF/MRs. Since the centers could not be closed in the near future the savings would not equal the additional expenditures. Many of the new facilities could be filled with clients currently on the waiting list.

For information purposes, the Supreme Court's Olmstead decision requires that institutionalized clients be served in the least restrictive environment. Current court orders against the state require greater utilization of home and community based programs, which are less costly than ICF/MR facilities, to the extent possible.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James A. Davenport". The signature is fluid and cursive, with the first name "James" being the most prominent.

James A. Davenport, Executive Director